

Wisconsin Self-Service Laundry Association

MEMO

TO: State Representative Terry Moulton, Chair
Assembly Committee on Small Business
Members of the Committee

FROM: Don Shine, President
Wisconsin Self-Service Laundry Assn.
Waterford, Wisconsin

Michael Mokler, Legislative Chair
Wisconsin Self-Service Laundry Assn.
Ripon, Wisconsin

Gary R. Goyke, Legislative Representative
Wisconsin Self-Service Laundry Association
Madison, Wisconsin

RE: Support for Assembly Bill 161, Redefining the Sales Tax Exemption to Include
All Self-Service Laundry Services

DATE: April 10, 2007

Back in 1965, the State of Wisconsin enacted an exemption from the new, general sales tax for "coin operated, self service laundry machines." Revenue from coin operated laundry machines in laundromats and apartments was deliberately exempted from the sales tax by the Legislature. The public policy involved was that if you did the laundry yourself, you would not pay a sales tax.

The matter was clear — coin laundry revenue was exempt from state and county sales taxes — until the late 1980s. When UW-Eau Claire installed its own machines on campus for student use, they installed ticket-operated instead of coin-operated machines. Campus officials, after contacting the Wisconsin Department of Revenue (DOR), began forwarding sales tax to the DOR. Because the law included the term "coin-operated," they were told token-operated machines did not qualify as "coin-operated." This action led the DOR to begin auditing laundromats throughout the state. Wherever the DOR found ticket-operated machines, it assessed a payment for current and back sales taxes on revenue.

This activity by the DOR led the Wisconsin Self-Service Laundry Association (WSLA) to request a legislative measure, introduced this year as Assembly Bill 161. The

bill would clarify state law to exempt *all* self-service laundry machines from the sales tax, not just those that are coin-operated. The association hopes you will support this measure.

WSLA believes the 1965 Legislature intended to exempt all self-service laundry machines from the sales tax because clean clothes are a necessity like groceries. Because the only technology at that time was coin-operated machines, the Legislature never anticipated the words "coin-operated" would produce an inequitable tax policy in the 1990's and beyond.

The WSLA has worked hard to study the impact of this sales tax. Surveys done in the 1980s and again in 1994 show the self-service laundry customer base are the elderly, single parents, people who earn less than \$1,000 per month, students and rural residents.

The idea behind AB 161, which clarifies that the sales tax exemption applies to all self-service laundry machines, was successfully adopted in past legislative sessions. In 1990 it was added to the state budget, but Governor Thompson vetoed the language. In his veto message, Governor Thompson said he believed the language had merit but preferred to see it as separate legislation. The measure was reintroduced in succeeding sessions. Efforts by WSLA members paid off when the Joint Survey Committee on Tax Exemptions voted the bill "good public policy" in 1992, 1994 and again in 1996.

We respectfully request your support for this legislation and particularly for Assembly Substitute Amendment 1, which was recently introduced by Rep. Van Roy. The WSLA strongly supports the substitute amendment. It would honor the ideas brought forward back in 1965. If citizens perform or "do" their own laundry, it would not be taxed.

We need your help this year! Thank you for listening! If you have questions, please feel free to contact Mike Mokler, WSLA Legislative Chair, W14115 Plante Drive, Ripon, WI 54971, phone (920) 235-6470; Don Shine, WSLA President, 29723 N. Lake Drive, Waterford, WI 53185, phone/fax (262) 662-4387; or Gary R. Goyke, WSLA Lobbyist, 754 Williamson Street, Madison, WI 53703, phone (608) 237-8108 or email ggregoyke@mailbag.com.



**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 2007 ASSEMBLY BILL 161**

March 29, 2007 – Offered by Representative VAN ROY.

1 **AN ACT to amend 77.52 (2) (a) 6. of the statutes; relating to:** expanding the sales
2 tax exemption for coin-operated laundry services to include all self-service
3 laundry services.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 77.52 (2) (a) 6. of the statutes is amended to read:

5 77.52 (2) (a) 6. Laundry, dry cleaning, pressing, and dyeing services, except
6 when performed on raw materials or goods in process destined for sale, except when
7 performed on cloth diapers by a diaper service, and except when the service is
8 performed by the customer through the use of coin-operated, self-service machines.

9 SECTION 2. Effective date.

10 (1) This act takes effect on the first day of the 2nd month beginning after
11 publication.

12 (END)



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Small Business Committee, April 10, 2007

AB 161 as amended by ASA 1 – Expand the Sales Tax Exemption for Coin-Operated Laundry Services to Include All Self-Service Laundry Services (Rep. Van Roy)

Description of Current Law and Proposed Change

Under current law, laundry, dry cleaning, pressing and dyeing services are exempt from sales tax when performed using a coin-operated, self-service machine.

The bill was introduced as an income tax credit for sales tax paid on laundry services; ASA 1 replaces the income tax credit with a sales tax exemption. Under ASA 1, laundry, dry cleaning, pressing and dyeing services would be exempt when performed using a self-service machine, regardless of the means of payment. In effect, the bill would expand the self-service laundry exemption to include debit cards, smart cards, tokens, and other non-coin means of payment.

Fairness/Tax Equity

- Under the bill, all self-service laundry machines would be treated the same (i.e., exempt), regardless of the means of payment.
- Washing machines and dryers are subject to sales tax when purchased by laundry operators. If sales taxes are also imposed on charges paid by customers using those self-service machines, taxes may be pyramided. To the extent the bill reduces tax pyramiding, it promotes economic efficiency.

Impact on Economic Development

- The expanded exemption would be an incentive for self-service laundry operators to invest in washing machines and dryers capable of accepting debit or smart cards and other non-cash means of payment. In addition to the cost of the new equipment, such investment would include expenditures for installation.

Administrative Impact/Fiscal Effect

- State sales and use taxes would decrease by about \$32,000 per year while county and stadium sales and use taxes would decrease by about \$2,000 per year under the bill.
- The bill has no administrative impacts.

DOR Position

- Support